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UTILITIES DEPARTMENT

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9 A. A.R. Watts, 111 Doctors Circle, Columbia, South  
10 Carolina. I am employed by the Public Service  
11 Commission of South Carolina, as an Engineer  
12 Associate of the Utilities Department.

5 A. I received a B.S. Degree in Electrical Engineering  
6 from the University of South Carolina in Columbia in  
7 1976. I was employed at that time by this  
8 Commission as a Utilities Engineer in the Electric  
9 Department and was promoted to Chief of the Electric  
10 Department in August 1981. I have been in my  
11 current position since July 1995. I have attended  
12 professional seminars relating to Electric Utility  
13 Rate Design, and have testified before this  
14 Commission in conjunction with fuel clause and  
15 general rate proceedings.

1 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS  
2 PROCEEDING?

3 A. The purpose of my testimony is to summarize Staff's  
4 findings and recommendations as set forth in the  
5 Utilities Department's portion of the Staff Report.

6 Q. MR. WATTS, WHAT SPECIFIC AREAS WERE ENCOMPASSED BY  
7 STAFF'S EXAMINATION?

8 A. The Utilities Department's examination of the  
9 Company's fuel operations generally consists of a  
10 review of the Company's monthly operating reports,  
11 inspections of the Company's coal quality sampling  
12 techniques, review of the currently approved  
13 adjustment for fuel costs tariff and a review of  
14 the Company's short-term projections of  
15 kilowatt-hour sales and fuel requirements.

16 Q. DID STAFF REVIEW THE NUCLEAR OPERATIONS FOR THIS  
17 PERIOD?

18 A. Yes, we looked at the Company's operation of its  
19 nuclear production facilities during the twelve  
20 month period of this fuel proceeding to determine if  
21 the Company made every reasonable effort to minimize  
22 fuel costs or if any decision of the Company  
23 resulted in unreasonable fuel costs.

24 Q. WOULD YOU DISCUSS THE METHODOLOGY USED IN THIS  
25 PROCESS?

1 A. Yes. We looked at each plant outage by review of  
2 Company reports and correspondence between the  
3 Company and the Nuclear Regulatory Commission (NRC)  
4 concerning the outages which required reporting. We  
5 then spent time with Company representatives to  
6 discuss each outage and the sequence of events which  
7 lead to the outage and those which dictated the  
8 duration of the outages.

9 Q. HAVE YOU DETERMINED THAT THE COMPANY'S PLANT  
10 OPERATIONS, WARRANT A DETERMINATION THAT THE COMPANY  
11 HAS ACTED UNREASONABLY IN OPERATING ITS FACILITIES?

12 A. No, and pursuant to S.C. Code Ann. Section 58-27-865  
13 certain criteria was established for review of a  
14 utility's efforts to minimize fuel expenses. This  
15 was used to guide Staff's examination of the  
16 utility's operations in the generation of  
17 electricity. When the Company's net capacity factor  
18 for the period is adjusted for reasonable refueling  
19 and other outages the resulting net capacity factor  
20 exceeds the threshold of 92.5% required by statute  
21 to presume cost minimization. The major fossil  
22 units averaged over 90% availability for the  
23 majority of the period under review as indicated on  
24 Utilities Department Exhibit No. 1.

25 Q. HAS STAFF DETERMINED THAT ANY CHANGES TO THE

1       ADJUSTMENT   FOR FUEL COSTS TARIFF NEED TO BE MADE AT  
2       THE PRESENT TIME?

3   A.   Yes,   the Adjustment for Fuel   Costs Tariff, Exhibit  
4       No.   7, should have the language deleted that states  
5       "for   the succeeding six month   or shorter period:".  
6       This   is due to the change in the statute that  
7       requires   a 12 month (annual)   review period instead  
8       of the 6 month (semiannual review) period.

9   Q.   WOULD YOU BRIEFLY   EXPLAIN   THE REMAINING UTILITIES  
10       DEPARTMENT EXHIBITS?

11   A.   Staff   Exhibit No. 1 is the   Power Plant Performance  
12       Data Report which is a listing of power plant  
13       capacity   factors and equivalent availability  
14       factors, respectively.   Exhibit No. 2A shows the  
15       Company's   Nuclear Unit Outages for the months of  
16       April 1996 through March 1997, listing the plants by  
17       unit, duration of the outage, reason for outage, and  
18       corrective   action taken.   Exhibit No. 2B lists the  
19       Fossil   Unit Outages by unit for the duration of 100  
20       hours   or greater, the reason and corrective action  
21       taken.       Exhibit   No.   3 lists   the Company's  
22       percentage   Generation Mix by fossil, nuclear, and  
23       hydro   for the period April 1996 through March 1997.  
24       Exhibit No. 4 reflects the Company's major plants by  
25       name,   type of fuel used, fuel cost in cents per KWH

1 to operate, and total megawatt-hours generated for  
2 the twelve months ending March 1997. Exhibit No. 5  
3 shows a comparison of the Company's original retail  
4 megawatt-hour estimated sales to the actual sales  
5 for the period ending March 1997. Exhibit No. 6 is a  
6 comparison of the original fuel factor projections  
7 to the factors actually experienced for the twelve  
8 months ending March 1997. Exhibit No. 7 is the  
9 Company's currently approved retail adjustment for  
10 fuel costs tariff. Exhibit No. 8 is a history of the  
11 cumulative recovery account. Exhibit No. 9 is a  
12 table of Projections of the Cumulative Recovery  
13 Account for various fuel base levels for the period  
14 including results using the current fuel factor base  
15 component of 1.000 cent per kilowatt hours which is  
16 also the same as the Company's proposed for the  
17 projected period.

18 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

19 A. Yes, it does.  
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